

Message Text

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PAGE 01 DACCA 02421 170527Z

16

ACTION NEA-10

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-02

L-02 NSC-05 PA-02 PRS-01 SS-15 IO-10 CEA-01 /117 W

----- 070816

P R 170405Z MAY 75

FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 6771

AMEMBASSY BANGKOK PRIORITY

INFO AMEMBASSY NEW DELHI

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMCONSUL CALCUTTA

UNCLAS DACCA 2421

BANGKOK FOR FADPC

E.O. 11652 : N/A

TAGS : EAID, EFIN, BG

SUBJECT : BANGLADESH DEVALUES

1. BANGLADESH MINISTRY OF FINANCE ISSUED FOLLOWING PRESS NOTE
MAY 16, 1975:

BEGIN TEXT:

"BANGLADESH GOVERNMENT HAVE DECIDED TO CHANGE THE EXCHANGE RATE
OF THE TAKA. UNDER THE CURRENT EXCHANGE RATE ONE POUND STERLING
CAN BE HAD IN EXCHANGE OF TAKA 18.9677. UNDER THE NEW EXCHANGE
RATE ONE POUND STERLING CAN BE HAD FOR TAKA 30 ONLY. THIS
DECISION WILL COME INTO EFFECT FROM MAY 17, 1975.

THIS IS ANOTHER STEP FOR THE IMPROVEMENT OF THE COUNTRY'S
ECONOMIC CONDITION. OUR EXPORT TRADE WAS BEING HAMPERED
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PAGE 02 DACCA 02421 170527Z

DUE TO INTERNAL INFLATION AND INTERNATIONAL ECONOMIC RECESSION.

AS A RESULT THE JUTE INDUSTRIES AND OTHER PRODUCERS OF EXPORTABLE COMMODITIES HAVE BECOME DEPENDENT ON GOVERNMENT SUBSIDIES IN ORDER TO MEET THEIR EXPENSES. IN THE PROCESS OF MAKING PROVISION FOR MONEY FOR THIS SUBSIDY IT HAS BECOME DIFFICULT FOR THE GOVERNMENT TO INVEST MONEY FOR DEVELOPMENT. NEEDLESS TO SAY, THE GOVERNMENT HAD TO GO ON BORROWING HEAVILY FROM THE CENTRAL BANK IN ORDER TO MEET DEFICIT AS A RESULT OF WHICH PRICES OF COMMODITIES CONTINUED TO RISE FOLLOWING FURTHER RISE IN INFLATION AND AS SUCH THE OVERALL ECONOMIC DEVELOPMENT WAS BEING HAMPERED.

IT MAY BE MENTIONED IN THIS CONNECTION THAT DUE TO UNCONSISTENCY IN THE EXCHANGE RATE OF BANGLADESH TAKA THE LEGAL TRADE IS BEING HAMPERED.

IT IS HOPED THAT THE EXPORT TRADE WILL BE EXPANDED AND FOREIGN EXCHANGE EARNING INCREASED AS A RESULT OF THE NEW VALUATION OF TAKA MORE COMMENSURATE WITH ITS PURCHASING POWER. WITH THE INCREASED EARNINGS THUS OBTAINED IT WILL BE POSSIBLE TO IMPORT NECESSARY PRODUCTION MATERIALS AND THE COUNTRY'S INDUSTRIES WOULD PRODUCE MORE COMMODITIES. WITH THIS INCREASE IN ECONOMIC ACTIVITIES MORE PEOPLE WILL GET EMPLOYMENT. MORE REVENUE WILL BE COLLECTED THROUGH IMPORT AND EXPORT DUTIES IF FOREIGN TRADE INCREASES. THE MORE THE GOVERNMENT EXPENDITURE IS MET FROM REVENUE COLLECTIONS THE PRESSURE OF INFLATION WILL LIKEWISE DECREASE. ON THE OTHER HAND THE GOVERNMENT WILL BE ABLE TO HELP IN THE OVERALL ECONOMIC PROGRESS BY INCREASING EXPENDITURE IN THE DEVELOPMENT SECTOR.

SIMULTANEOUSLY THE GOVERNMENT HAVE WITHDRAWN THE IMPORT LICENCE FEES AND EXCHANGE TAX WITH EFFECT FROM MAY 17, 1975.

TO MAKE NECESSARY ARRANGEMENTS FOR IMPLEMENTATION OF NEW EXCHANGE RATE OF TAKA THE BANKS WILL REMAIN CLOSED FOR PUBLIC TRANSACTIONS ON SATURDAY, MAY 17, 1975. END TEXT

2. THE MINISTRY OF FINANCE ALSO ISSUED THE FOLLOWING PRESS NOTE:

BEGIN TEXT:

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PAGE 03 DACCA 02421 170527Z

IN SUPERSESSION OF THE MINISTRY OF FINANCE NOTIFICATION NO. MFEF/2G-S(1)/72/2G, DATED THE JANUARY 1, 1972 REGARDING THE PAR VALUE OF BANGLADESH CURRENCY, GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH HAVE DECIDED TO FIX THE PAR VALUE OF TAKA AT ONE POUND STERLING EQUIVALENT TO TK.30.00 (TAKA THIRTY ONLY). THIS ORDER COMES INTO FORCE FROM THE MAY 17, 1975.

THE HOME REMITTANCE PREMIUM SCHEME STANDS ABOLISHED FROM THE

SAME DATE. END TEXT

3. THE TAKA REMAINS PEGGED TO THE POUND STERLING. THE CHANGE
IN PAR VALUE, FROM TAKA 18.9677 TO TAKA 30.00 FOR ONE POUND IS
A DEVALUATION OF 58 PERCENT.

4. WE WILL BE COMMENTING FURTHER AFTER MEETINGS THIS WEEKEND
WITH IMF REPS AND OTHER OFFICIALS HERE.
BOSTER

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NNN

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